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An Introduction

The Massachusetts SRF Program

Massachusetts Water Pollution Abatement Trust

Office of the Treasurer and Receiver-General

Executive Office for Administration and Finance

Department of Environmental Protection

GOVERNMENT DOCUMENTS COLLECTION

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Introduction

This is a primer on the financial assistance offered through the Commonwealth's State Revolving Fund (SRF) program. This document describes the types of wastewater projects which can be financed through the SRF, generally identifies the procedures which must be followed in applying for a loan, and explains the subsidies which can be provided to loan recipients.

The document is intended to be a general guide to the SRF program. More specific information can be obtained by contacting the Department of Environmental Protection's Public Affairs Office or Bureau of Municipal Facilities.

What is the Massachusetts SRF?

The SRF is a new method of providing financial assistance to communities. The major change embodied in the SRF is the way in which the Commonwealth provides its financial assistance. For the SRF program, communities will receive interest subsidies and discounted loans rather than outright grants. In most other respects, the programs are simple continuations of prior DEP assistance programs. The assistance is provided by offering loans to municipalities at interest rates far below the rates at which the municipality could borrow the money directly in the financial markets.

The SRF program is an outgrowth of the Water Quality Act of 1987, which amended the 1972 Federal Clean Water Act. These amendments terminated the federal construction grants program and established a short term program for funding revolving loan programs at the state level. Under the current SRF program, states use the money to loan funds to communities for projects. The communities then pay the loan back over time and the repayments are again loaned to other communities.

In Massachusetts, the aggregate Federal contribution to the SRF is small. Even if all the money Congress authorized were appropriated and the Commonwealth received its pro-rata share, this would amount to only $285-$300 million. This compares with an identified need for water pollution control projects in the Commonwealth estimated at almost $7 billion through the year 1996.

In response to this disparity, and recognizing its historic commitment to clean water, the Commonwealth enacted Chapter 275 of the Acts of 1989. This Act established the Massachusetts Water Pollution Abatement Trust, provided funds to the Trust and DEP to assist communities in constructing water pollution control facilities and established general criteria for financial assistance. The SRF program is a joint effort of the Trust and the Department of Environmental Protection.

What will the SRF finance?

The Massachusetts SRF program will provide subsidized loans to qualified communities for the construction of wastewater treatment facilities. The program can also provide "one-stop shopping" for communities needing to quickly and efficiently access the capital markets.

Specifically, the SRF can provide assistance for five different types of water pollution control projects: • Tier I projects • Tier I planning and design projects • Tier II projects • Infiltration/Inflow projects and • Collector Sewer projects. Each of these can be thought of as programs. The Tier I program is similar to and replaces the federal-state construction grants program. The remainder of the programs are similar in scope to their former state grants counterparts.

The legislation provides each program with a slightly different set of incentives and restrictions, which are similar to the limitations placed on the old grant programs. These limits take two forms: a limit on the basic subsidy provided through the loan and a restriction on the maximum amount of

loans which any one applicant can receive in any one year.

In addition to providing subsidies on eligible portions of loans, the Trust may make unsubsidized loans on ineligible portions of projects. Where costs must be incurred for a project, but those costs are ineligible for assistance (land, for example), the Trust may make a market rate loan for those costs in an amount equal to not more than 15% of the eligible costs. For the vast majority of projects, the SRF program should serve to provide the loan recipient with a single source of project financing and eliminate the need for borrowing from other sources. In addition, for a number of borrowers this lending also provides a subsidy, because the Trust is expected to borrow money at rates more favorable than many of the communities could obtain on their own.

How do I qualify?

Each year, the DEP's Bureau of Municipal Facilities canvasses all of the Commonwealth's cities, towns and districts for projects to receive financial assistance through any of its five programs. If a municipal project is placed on the fundable priority list for one of the programs, the community need only submit an application and supporting documentation to initiate the funding process.

Who do I contact for help and assistance on the SRF Program?

The DEP has staff with experience on the SRF program. For general information or to be directed to the appropriate DEP staff person, contact:

Department of Environmental Protection
One Winter Street
Boston, MA 02108

Public Affairs Office
(617)292-5515

Bureau of Municipal Facilities
(617)292-5793